

TOWN OF ESTILL, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED JUNE 30, 2018

WITH

INDEPENDENT AUDITORS' REPORT



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TOWN OF ESTILL, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED JUNE 30, 2018

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of Town Council  
Town of Estill, South Carolina  
Post Office Box 415  
Estill, SC 29918

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Estill, South Carolina (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Special Revenue Fund	Unmodified
Water and Sewer Fund	Unmodified
Refuse Fund	Unmodified

### Basis for Qualified Opinion on Governmental Activities

As discussed in *Note 1* to the basic financial statements we were not able to obtain sufficient audit evidence for the Town's governmental activities' capital assets; nor were we able to satisfy ourselves as to the correct carrying value of these capital assets by other auditing procedures.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material aspects, the financial position of the Governmental Activities of the Town of Estill as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Town, as of June 30, 2018 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of a Matter

The Town reported a significant decrease in net position for its governmental activities. This matter is discussed in detail in *Note 14*.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities, and Schedule of South Carolina Retirement Systems Contributions on pages 4–12, 49, and 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the





information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Revenues, Expenses and Changes in Proprietary Fund Net Position – Budget to Actual and the Schedule of Court Fines, Assessments, and Surcharges on pages 51 and 52 is other financial information and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Court Fines is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Court Fines is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Revenues, Expenses, and Changes in Proprietary Funds Net Position – Budget to Actual has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*The Brittingham Group LLP*

West Columbia, South Carolina  
October 30, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town Administrator of the Town of Estill submits to the readers of the Town's financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

### FINANCIAL HIGHLIGHTS

The combined Governmental Activities and Business Type Activities assets of the Town of Estill exceeded its combined liabilities at the end of the fiscal year by \$8,353,041 (net position). The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$3,927,592 and combined expenses totaled \$3,537,055. Accordingly, combined revenues exceeded expenses by \$390,537.

At the end of fiscal year 2018, the governmental funds restricted fund balance was \$59,128, the assigned fund balance was \$18,717 and the unassigned fund balance was \$587,094. Accordingly, \$587,094 was available for spending at the government's discretion from the unassigned fund balance. The total fund balance was \$622,599 for the General Fund, the Town's principal operating fund.

The Town of Estill Business Type Activities reported an increase in net position at the end of the fiscal year in the amount of \$249,512.

At the end of fiscal year 2018, the Town of Estill Business Type Activity reported cash and cash equivalents of \$1,249,565.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as primer on the Town's basic financial statements. The Town's basic financial statements have three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with an overview of the Town of Estill finances, in a manner similar to businesses in the private sector business.

The Statement of Net Position presents information on all of the Town of Estill assets and liabilities, with the difference reported as net position. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information detailing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years. (e.g. uncollected taxes and earned but unused compensated absences). A compensated absence is a work absence in which the employee will be paid. (e.g. sick leave, vacation leave and holiday leave).



Both government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities).

The governmental activities of the Town of Estill include administration, police, fire, streets and sanitation, recreation, community development, non-departmental and interest on long-term debt. The business-type activity of the Town of Estill is the water and wastewater utility system.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 13 - 14 of this document.

**Fund financial statements.** A fund is a grouping of related accounts that is used to exercise control over resources that have been segregated for specific activities. The Town of Estill, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Estill can be divided into these categories:

Governmental funds

Proprietary funds

Governmental funds. Governmental funds are used to account for essentially the same functions reported as government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than the focus of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund only since no other governmental funds is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. The Town adopts an annual operating and capital budget for the General and Proprietary funds. The basic governmental fund financial statements are listed on pages 15 - 19 of this document.

Proprietary funds. The Town maintains two enterprise funds, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Town uses enterprise funds to account for its public utility system, comprised of water and wastewater operations and the garbage collection operations. Proprietary funds provide the same types of information as the government-wide financial statements.



The basic proprietary funds financial statements can be found on pages 20 - 24 of this report.

**Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are listed on pages 25 - 48 of this document.

**Other information.** In addition to the basic financial statements and accompanying notes, these reports also represent certain other financial information.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2018 financial statements are the 11<sup>th</sup> consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2018, the government-wide statements are reported using an economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Estill assets exceeded liabilities by \$8,353,041 at the close of fiscal year 2018. Net position is reported in three categories:

Net investment in capital assets	\$ 7,885,717
Restricted	897,683
Unrestricted	(430,359)
	<u>\$ 8,353,041</u>

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital investments to provide services to citizen customers; consequently, these assets are not available for future expenditures. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.





The following tables present a summary of the Town's Statement of Net Position as of June 30, 2018 and 2017:

### **Town of Estill's Condensed Statement of Net Position - June 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 694,943	\$ 1,477,517	\$ 2,172,460
Capital assets	1,437,064	10,176,685	11,613,749
<b>Total assets</b>	<b>2,132,007</b>	<b>11,654,202</b>	<b>13,786,209</b>
Deferred pension outflows	284,722	202,905	487,627
<b>Total assets and deferred outflows</b>	<b>2,416,729</b>	<b>11,857,107</b>	<b>14,273,836</b>
Long-term liabilities outstanding	1,061,268	4,548,731	5,609,999
Other liabilities	30,004	226,218	256,222
<b>Total liabilities</b>	<b>1,091,272</b>	<b>4,774,949</b>	<b>5,866,221</b>
Deferred pension inflows	41,222	13,352	54,574
<b>Total liabilities and deferred inflows</b>	<b>1,132,494</b>	<b>4,788,301</b>	<b>5,920,795</b>
Net position:			
Net investment in capital assets	1,352,404	6,533,313	7,885,717
Restricted - expendable	59,128	838,555	897,683
Unrestricted	(127,297)	(303,062)	(430,359)
<b>Total net position</b>	<b>\$ 1,284,235</b>	<b>\$ 7,068,806</b>	<b>\$ 8,353,041</b>

### **Town of Estill's Condensed Statement of Net Position - June 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 709,577	\$ 3,710,405	\$ 4,419,982
Capital assets	1,273,526	7,876,816	9,150,342
<b>Total assets</b>	<b>1,983,103</b>	<b>11,587,221</b>	<b>13,570,324</b>
Deferred pension outflows	317,684	186,865	504,549
<b>Total assets and deferred outflows</b>	<b>2,300,787</b>	<b>11,774,086</b>	<b>14,074,873</b>
Long-term liabilities outstanding	1,007,443	4,473,344	5,480,787
Other liabilities	133,614	467,192	600,806
<b>Total liabilities</b>	<b>1,141,057</b>	<b>4,940,536</b>	<b>6,081,593</b>
Deferred pension inflows	16,520	14,256	30,776
<b>Total liabilities and deferred inflows</b>	<b>1,157,577</b>	<b>4,954,792</b>	<b>6,112,369</b>
Net position:			
Net investment in capital assets	1,128,722	3,984,290	5,113,012
Restricted - expendable	35,322	3,082,468	3,117,790
Unrestricted	(20,834)	(247,464)	(268,298)
<b>Total net position</b>	<b>\$ 1,143,210</b>	<b>\$ 6,819,294</b>	<b>\$ 7,962,504</b>



The following tables are summaries of revenues and expenses for fiscal years 2018 and 2017:

### Town of Estill's Statement of Activities - June 2018

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 70,327	\$ 2,000,494	\$ 2,070,821
Capital grants and contributions	225,000	420,195	645,195
General revenues	1,211,518	58	1,211,576
Total revenue	<u>1,506,845</u>	<u>2,420,747</u>	<u>3,927,592</u>
Expenses:			
Administration	257,869	-	257,869
Public Works	278,137	-	278,137
Police	986,150	-	986,150
Fire	40,772	-	40,772
Interest on long-term debt	3,139	-	3,139
Combined water and sewer expenses	-	1,789,474	1,789,474
Refuse Fund	-	181,514	181,514
Total expenses	<u>1,566,067</u>	<u>1,970,988</u>	<u>3,537,055</u>
Increase (decrease) in net position before transfers	(59,222)	449,759	390,537
Transfers	200,247	(200,247)	-
Increase (decrease) in net position	<u>\$ 141,025</u>	<u>\$ 249,512</u>	<u>\$ 390,537</u>

### Town of Estill's Statement of Activities - June 2017

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 103,820	\$ 1,973,732	\$ 2,077,552
Capital grants and contributions	4,000	192,712	196,712
General revenues	1,248,211	101	1,248,312
Total revenue	<u>1,356,031</u>	<u>2,166,545</u>	<u>3,522,576</u>
Expenses:			
Administration	289,525	-	289,525
Public Works	243,332	-	243,332
Police	1,048,478	-	1,048,478
Fire	52,581	-	52,581
Interest on long-term debt	4,638	-	4,638
Combined water and sewer expenses	-	1,672,195	1,672,195
Refuse Fund	-	142,862	142,862
Total expenses	<u>1,638,554</u>	<u>1,815,057</u>	<u>3,453,611</u>
Increase (decrease) in net position before transfers	(282,523)	351,488	68,965
Transfers	172,896	(172,896)	-
Increase (decrease) in net position	<u>\$ (109,627)</u>	<u>\$ 178,592</u>	<u>\$ 68,965</u>



**Governmental activities.** Governmental activities net position decreased \$59,222, before transfers, during the fiscal year. After transfers of \$200,247 from Business-type activities, Governmental activities resulted in a \$141,025 increase in net position. Governmental activities revenues showed an increase and expenses showed a decrease when compared to fiscal year 2017. The decrease in expenses is a direct result of paying less overtime to police department employees due management's increased awareness and scheduling adjustments staff. The increase in revenues is primarily related to the donation of property that is being renovated into the Town police headquarters. It is instructive to note that governmental activities continue to produce a negative change in net position. Immediate action is needed to curtail police department spending or reduce the level of service offered by the police department. Additionally, a determination needs to be made about the general level of services being offered along with commensurate reduction in spending for non-essential programs and functions.

**Business-type activities.** Business-type activities consist of the public water and wastewater system and the garbage collection and disposal system. Total revenues in the amount of \$2,420,747 exceeded total expenses in the amount of \$1,970,988 for an operational increase in net position of \$449,759. \$200,247 was transferred to Governmental Activities to reconcile operational losses in Governmental activities. After transfers, Business-type activities incurred a \$249,512 increase in net position. Compared to fiscal year 2017, Business-type activities are trending upward since the 2018 fiscal year incurred a greater operational increase of \$76,616 after transfers. However, Business-type activity revenues are still not sufficient to fund needed reserve accounts as required by the Series 2017 Revenue Bond agreement. Immediate action is needed to increase water and sewer billing rates in order to fund reserve account requirements mandated by the Series 2017 Revenue Bond agreement or to refinance the Series 2017 Revenue Bond through the USDA.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental funds.** The focus on the Town's Governmental Fund is to provide information on inflow, outflow and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of fiscal year 2018, the Town's Governmental Funds reported a combined ending fund balance of \$664,939. The Town's General Fund reported an ending balance of \$622,599. The General Fund represents 94% of the total fund balance of all Governmental Funds.

**Proprietary funds.** The Town's largest component of proprietary fund net position is the investment in capital assets, net of related debt, \$6,533,313 or 92% of the Town's total proprietary fund net assets. The Town should endeavor to fully account for depreciation and amortization of capital assets. The Refuse Fund's use of a third party to provide trash pickup services to the Town has produced better financial performance during fiscal year 2018. A onetime payment for contracted services of approximate \$80,000 caused the fund to decrease net position in the amount of \$64,422 before transfers. Current Water and Sewer Fund revenues cannot fund all required reserve accounts for the Series 2017 Revenue Bond, therefore water and sewer rates must be increased immediately.



## GENERAL FUND HIGHLIGHTS

Selected variances between fiscal years 2018 and 2017 General Fund actual revenues were as follows:

- \$ 33,493      Court fines      32.26% decrease

Court fines decreased by 32.26% due to decreased fines issues by the Town. Town management is evaluating police and court services offered and will be making adjustments.

## PROPRIETARY FUNDS HIGHLIGHTS

Selected variances between fiscal years 2018 and 2017 Proprietary Fund actual revenues were as follows:

- \$ 227,483      Capital grants and contributions      118.84% increase

The variance in Proprietary Fund revenues between fiscal years 2018 and 2017 is less significant on a year to year basis.

The 118.84% increase is due to increase RIA grants to fund water and sewer system upgrades.

**Capital Asset Administration.** Governmental Activities had a total of \$270,880 in asset additions during fiscal year 2018. These asset additions were composed of construction in progress (\$225,000), buildings (\$35,000) and land improvements (\$10,880). Depreciation expense for Governmental Activities was \$107,342.

Business-Type Activities had a total of \$2,719,126 in asset additions during fiscal year 2018. All asset additions were for construction in process and there were no disposals of assets in fiscal year 2018. Depreciation expense for Business-Type Activities was \$419,257.

The charts below detail the net effect of all transactions noted above to capital assets between fiscal year 2017 and 2018:

### Town of Estill's Capital Assets - Net of Accumulated Depreciation - 2018

	Governmental Activities	Business-Type Activities	Total
Land	\$ 399,530	\$ 453,375	\$ 852,905
Construction in process	225,000	3,134,262	3,359,262
Land improvements	193,822	-	193,822
Buildings	1,562,652	-	1,562,652
Equipment	336,677	430,723	767,400
Vehicles	669,006	153,123	822,129
Utility plant	-	13,309,478	13,309,478
	<u>\$ 3,386,687</u>	<u>\$ 17,480,961</u>	<u>\$ 20,867,648</u>





## Town of Estill's Capital Assets - Net of Accumulated Depreciation - 2017

	Governmental Activities	Business-Type Activities	Total
Land	\$ 399,530	\$ 453,375	\$ 852,905
Construction in process	-	415,136	415,136
Land improvements	60,751	-	60,751
Buildings	623,478	-	623,478
Equipment	110,686	41,804	152,490
Vehicles	79,081	15,856	94,937
Utility plant	-	6,950,645	6,950,645
	<u>\$ 1,273,526</u>	<u>\$ 7,876,816</u>	<u>\$ 9,150,342</u>

**Debt Administration.** At the end of fiscal year 2018, the Town of Estill had total debt outstanding (bonds, notes, and capital leases) of \$3,742,229. All the Town's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds). General Obligation bond debt is secured by the full faith and taxing authority of the Town. \$26,498 represents the amount owed for compensated absences and accrued interest.

	Governmental Activities	Business-Type Activities	Total
Compensated absences	\$ 8,100	\$ 14,197	\$ 22,297
Capital leases	50,259	33,372	83,631
Notes payable	5,100	-	5,100
General obligation bonds	17,000	-	17,000
Revenue bonds	-	3,610,000	3,610,000
Accrued interest	4,201	-	4,201
	<u>\$ 84,660</u>	<u>\$ 3,657,569</u>	<u>\$ 3,742,229</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total revenues continue to be moderated by the effects of the economy and systemic deficiencies. General Fund property tax revenues continue a slow decrease due to the declining value of the property tax base. The Town has a substantial stock of dilapidated and blighted properties. Approximately ten (10) percent of residential properties appear to be blighted. A much higher percentage of the residential housing stock is substandard. These factors contribute to the overall appearance of the Town and is thought to discourage residential, commercial and industrial development and redevelopment.

The Town continues to pay off large portions of general obligation and revenue bond debt. Over the last six years, the Town has substantially increased budgetary and non-budgetary spending for engineering and capital improvements to the water and wastewater utilities. This trend will need to continue in order to address past deferred capital and maintenance deficiencies.



The Town increased water and wastewater rates in fiscal year 2017 to address chronic underfunding of the Water and Sewer Fund and to address past deferred capital and maintenance of the system. Analysis of the fiscal year 2018 water and sewer proprietary fund showed that the rate increase did not give the Water and Sewer Fund the appropriate amount of revenue to fund all Series 2017 Revenue Bond agreement required reserve accounts. The Town has decided to increase water and sewer rates further to fund these required accounts and is currently trying to alternative financing from the USDA to refinance the Series 2017 Revenue Bond in hopes that it will yield a better interest rate and grant funding from the USDA.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview of the Town of Estill's finances. Questions concerning any of the information provided in this report or requests for additional information should be forwarded to:

Interim Town Administrator  
Town of Estill  
Post Office Box 415  
Estill, South Carolina 29918.



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 424,559	\$ 411,010	\$ 835,569
Receivables, net of allowance:			
Accounts, net	-	227,952	227,952
State revenue	190,956	-	190,956
Internal balances	20,300	-	20,300
Restricted assets:			
Cash and cash equivalents	59,128	838,555	897,683
Capital assets:			
Non-depreciable	624,530	3,587,637	4,212,167
Depreciable, net of accumulated depreciation	812,534	6,589,048	7,401,582
Total assets	2,132,007	11,654,202	13,786,209
<b>Deferred outflows of resources</b>			
Deferred pension outflows	284,722	202,905	487,627
Total assets and deferred outflows of resources	2,416,729	11,857,107	14,273,836
<b>Liabilities</b>			
Accounts payable	11,176	77,204	88,380
Other accrued liabilities	18,828	37,969	56,797
Internal balances	-	20,300	20,300
Customer deposits	-	90,745	90,745
Pension liabilities	976,608	891,162	1,867,770
Long-term liabilities:			
Due within one year	55,136	258,734	313,870
Due in more than one year	29,524	3,398,835	3,428,359
Total liabilities	1,091,272	4,774,949	5,866,221
<b>Deferred inflows of resources</b>			
Deferred pension inflows	41,222	13,352	54,574
Total liabilities and deferred inflows of resources	1,132,494	4,788,301	5,920,795
<b>Net position</b>			
Net investment in capital assets	1,352,404	6,533,313	7,885,717
Restricted net position - spendable	59,128	838,555	897,683
Unrestricted	(127,297)	(303,062)	(430,359)
Total net position	\$ 1,284,235	\$ 7,068,806	\$ 8,353,041

See accompanying notes.



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities						
Administration	\$ 257,869	\$ -	\$ -	\$ (257,869)	\$ -	\$ (257,869)
Public Works department	278,137	-	-	(278,137)	-	(278,137)
Police department	986,150	70,327	-	(915,823)	-	(915,823)
Fire department	40,772	-	-	(40,772)	-	(40,772)
Interest on long-term debt	3,139	-	-	(3,139)	-	(3,139)
Total governmental activities	1,566,067	70,327	-	(1,495,740)	-	(1,495,740)
Business-type activities						
Water and sewer	1,789,474	1,883,432	420,195	-	514,153	514,153
Refuse	181,514	117,062	-	-	(64,452)	(64,452)
Total business-type activities	1,970,988	2,000,494	420,195	-	449,701	449,701
Total Primary Government	3,537,055	2,070,821	420,195	(1,495,740)	449,701	(1,046,039)
General revenues and transfers:						
General revenues:						
Property and vehicle				514,211	-	514,211
Licenses, permits and franchise fees				192,990	-	192,990
State shared revenues				275,993	-	275,993
Other shared revenues				155,573	-	155,573
Unrestricted investment earnings				205	58	263
Capital donations				225,000	-	225,000
Miscellaneous				72,546	-	72,546
Transfers in/(out) to local government				200,247	(200,247)	-
Total general revenues and transfers				1,636,765	(200,189)	1,436,576
Change in net position				141,025	249,512	390,537
Net position, at beginning of year				1,143,210	6,819,294	7,962,504
Net position, end of year				\$ 1,284,235	\$ 7,068,806	\$ 8,353,041

See accompanying notes.





TOWN OF ESTILL, SOUTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2018

	General	Special Revenue	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 405,842	\$ 18,717	\$ 424,559
State revenue, receivable	190,956	-	190,956
Due from Refuse fund	20,300	-	20,300
Restricted cash	35,505	23,623	59,128
<b>Total assets</b>	<b>652,603</b>	<b>42,340</b>	<b>694,943</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	11,176	-	11,176
Other accrued liabilities	18,828	-	18,828
<b>Total liabilities</b>	<b>30,004</b>	<b>-</b>	<b>30,004</b>
<b>Fund balances</b>			
Restricted	35,505	23,623	59,128
Assigned	-	18,717	18,717
Unassigned	587,094	-	587,094
<b>Total fund balances</b>	<b>622,599</b>	<b>42,340</b>	<b>664,939</b>
<b>Total liabilities and fund balances</b>	<b>\$ 652,603</b>	<b>\$ 42,340</b>	<b>\$ 694,943</b>

**Reconciliation to the statement of net position**

Total fund balances - governmental funds \$ 664,939

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Capital assets, cost	\$ 3,386,687	
Accumulated depreciation	(1,949,623)	
		1,437,064

Long-term liabilities, including bonds payable, notes payable, Net pension liabilities, deferred inflows, deferred outflows and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities consist of the following:

Deferred pension outflows	284,722
Deferred pension inflows	(41,222)
Net pension liabilities	(976,608)
Accrued interest payable	(4,201)
Compensated absences payable	(8,100)
Capital lease and note payable	(55,359)
General obligation bonds payable	(17,000)

Net position of governmental activities	\$ 1,284,235
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See accompanying notes.



TOWN OF ESTILL, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Special Revenue	Total Governmental Funds
<b>Revenues</b>			
Property and vehicle taxes	\$ 514,211	\$ -	\$ 514,211
Licenses, permits, and franchise fees	192,990	-	192,990
Court fines	70,327	-	70,327
State shared revenues	275,993	-	275,993
Other shared revenues	155,573	-	155,573
Grant revenue	-	-	-
Miscellaneous income	64,536	8,215	72,751
Total revenues	<u>1,273,630</u>	<u>8,215</u>	<u>1,281,845</u>
<b>Expenditures</b>			
Administration	248,028	-	248,028
Public Works	245,318	-	245,318
Police	878,191	-	878,191
Fire	30,603	6,901	37,504
Non-departmental	17,968	-	17,968
Debt service	43,651	-	43,651
Total expenditures	<u>1,463,759</u>	<u>6,901</u>	<u>1,470,660</u>
Excess (deficit) of revenues over (under) expenditures	<u>(190,129)</u>	<u>1,314</u>	<u>(188,815)</u>
<b>Other Financing Sources (uses)</b>			
Transfers in	200,247	-	200,247
Total other financing sources	<u>200,247</u>	<u>-</u>	<u>200,247</u>
Net change in fund balance	10,118	1,314	11,432
Fund balance, beginning of year	612,481	41,026	653,507
Fund balance, end of year	<u><u>\$ 622,599</u></u>	<u><u>\$ 42,340</u></u>	<u><u>\$ 664,939</u></u>

*See accompanying notes.*



TOWN OF ESTILL, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Net change in fund balance - total governmental funds	\$ 11,432
Amounts reported for governmental activities in the Statement of Activities are different due to the following:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.	
Depreciation	\$ (107,342)
Capital outlays	45,880
Net change in capital assets	(61,462)
Proceeds from donation of capital asset. Revenue is not recorded in governmental funds and it increases capital assets in the Statement of Net Position and increases general revenues for Statement of Activities.	225,000
Net change in in pension liability for the current year. This is an expenditure for governmental funds and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(94,089)
Repayment of a capital lease and note payable is an expenditure in the governmental funds, and it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	44,396
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	16,252
Interest on long-term debt is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as interest accrues, regardless of when it is due.	(558)
In the Statement of Activities, compensated absences are reported by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used.	54
Change in net position of governmental activities	<u>\$ 141,025</u>

*See accompanying notes.*



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN  
GENERAL FUND NET POSITION - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive / (Negative)
Revenue				
Property and vehicle taxes	\$ 503,534	\$ 503,534	\$ 514,211	\$ 10,677
Licenses, permits, and franchise fees	184,762	184,762	192,990	8,228
State shared revenue	254,305	254,305	275,993	21,688
Municipal Association of South Carolina	130,775	130,775	155,573	24,798
Court fines	96,470	96,470	70,327	(26,143)
Grants	500,000	500,000	-	(500,000)
Miscellaneous income	30,157	30,157	64,536	34,379
Total revenue	1,700,003	1,700,003	1,273,630	(426,373)
Expenditures				
Salaries, taxes and benefits	656,647	656,647	757,643	(100,996)
Contract labor	-	-	6,210	(6,210)
Utilities	31,708	31,708	27,882	3,826
Materials and supplies	19,081	19,081	16,974	2,107
Chemicals	-	-	2,945	(2,945)
Insurance	30,780	30,780	36,035	(5,255)
Gas, oil and tires	41,000	41,000	52,368	(11,368)
Legal and audit	40,415	40,415	42,999	(2,584)
Bookkeeping services	6,242	6,242	6,937	(695)
Other professional fees	6,200	6,200	3,004	3,196
Training and workshops	7,000	7,000	6,864	136
Court expenses	77,674	77,674	45,874	31,800
Victims Advocate	3,000	3,000	6,947	(3,947)
Dispatching	27,204	27,204	32,267	(5,063)
Telephone	34,300	34,300	49,481	(15,181)
Travel and lodging	23,487	23,487	18,173	5,314
Office supplies	7,700	7,700	8,206	(506)
Dues and subscriptions	11,202	11,202	9,441	1,761
Mayor and council expense	37,400	37,400	36,257	1,143
Advertising	2,800	2,800	989	1,811
Fall Festival	-	-	14,111	(14,111)
Bank charges	461	461	327	134
Finance charges	660	660	98	562
Capital improvements	-	-	57,162	(57,162)
Dog pound	5,000	5,000	5,001	(1)
Economic development	2,000	2,000	-	2,000
Pest control	2,524	2,524	3,829	(1,305)
Repairs and maintenance	44,216	44,216	65,541	(21,325)

(CONTINUED)





TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN  
GENERAL FUND NET POSITION - BUDGET TO ACTUAL

(CONTINUED)

	Original Budget	Final Budget	Actual	Variance Positive / (Negative)
Street lights	-	-	66,693	(66,693)
Christmas decorations	-	-	-	-
Postage	4,600	4,600	4,550	50
Equipment rental	500	500	1,932	(1,432)
Debt service	61,524	61,524	43,651	17,873
Miscellaneous	524,678	524,678	33,368	491,310
Total expenditures	1,710,003	1,710,003	1,463,759	131,866
Excess (deficit) of revenue over (under) expenditures	(10,000)	(10,000)	(190,129)	(180,129)
Transfers in	-	-	200,247	200,247
Change in fund balance	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ 10,118</u>	<u>\$ 20,118</u>

See accompanying notes.



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Water and Sewer	Refuse	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 337,892	\$ 73,118	\$ 411,010
Restricted cash	838,555	-	838,555
Accounts receivable, net	205,596	22,356	227,952
Non-current assets			
Property, plant and equipment, net	10,172,943	3,742	10,176,685
Total assets	11,554,986	99,216	11,654,202
<b>Deferred outflows of resources</b>			
Deferred pension outflows	202,905	-	202,905
Total assets and deferred outflows of resources	11,757,891	99,216	11,857,107
<b>Liabilities</b>			
Current liabilities			
Accounts payable	70,390	6,814	77,204
Other accrued liabilities	37,969	-	37,969
Due to General Fund	9,454	10,846	20,300
Customer deposits	90,745	-	90,745
Compensated absences payable	14,197	-	14,197
Capital lease	9,537	-	9,537
Revenue bonds payable	235,000	-	235,000
Non-current liabilities			
Net pension liabilities	891,162	-	891,162
Capital lease	23,835	-	23,835
Revenue bonds payable	3,375,000	-	3,375,000
Total liabilities	4,757,289	17,660	4,774,949

(CONTINUED)



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

-CONTINUED-

	Water and Sewer	Refuse	Total
<b>Deferred inflows of resources</b>			
Deferred pension inflows	13,352	-	13,352
Total liabilities and deferred inflows of resources	4,770,641	17,660	4,788,301
<b>Net position</b>			
Net investment in capital assets	6,529,571	3,742	6,533,313
Restricted net position - spendable	838,555	-	838,555
Unrestricted - unfunded pension obligation	(701,609)	-	(701,609)
Unrestricted - other	320,733	77,814	398,547
Total net position	<u>\$ 6,987,250</u>	<u>\$ 81,556</u>	<u>\$ 7,068,806</u>

*See accompanying notes.*



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION OF PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Water and Sewer	Refuse	Total
Operating revenue			
Water, Sewer, and Refuse service sales	\$ 1,786,074	\$ 117,062	\$ 1,903,136
Water and sewer tap and impact fees	91,268	-	91,268
Reconnection fees	6,090	-	6,090
Grants	18,663	-	18,663
Total operating revenue	<u>1,902,095</u>	<u>117,062</u>	<u>2,019,157</u>
Operating expenses			
Salaries and employee benefits	450,626	-	450,626
Electricity and utilities	152,468	-	152,468
Materials and supplies	62,226	70,275	132,501
Depreciation	411,257	8,000	419,257
Insurance	88,163	4,219	92,382
Gas, oil, tires and repairs	9,625	5,338	14,963
Contracted services	170,676	89,184	259,860
Training, lodging	982	-	982
Telephone	14,030	-	14,030
Office supplies	834	-	834
DHEC permits	14,516	-	14,516
Repairs and maintenance, engineering and capital equipment	266,439	1,058	267,497
Miscellaneous	39,561	3,440	43,001
Total operating expenses	<u>1,681,403</u>	<u>181,514</u>	<u>1,862,917</u>
Operating income	220,692	(64,452)	156,240
Nonoperating revenue (expenses)			
Interest income	28	30	58
Capital grant	401,532	-	401,532
Debt service (interest expense)	(108,071)	-	(108,071)
Total nonoperating revenue (expense)	<u>293,489</u>	<u>30</u>	<u>293,519</u>
Income before transfers	514,181	(64,422)	449,759
Net transfers in (out)	<u>(288,381)</u>	<u>88,134</u>	<u>(200,247)</u>
Change in net position	225,800	23,712	249,512
Total net position, beginning	6,761,449	57,845	6,819,294
Total net position, ending	<u>\$ 6,987,249</u>	<u>\$ 81,557</u>	<u>\$ 7,068,806</u>

*See accompanying notes.*





TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Water and Sewer	Refuse	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,922,070	\$ 118,529	\$ 2,040,599
Payments to suppliers	(954,121)	(169,944)	(1,124,065)
Payments to employees	(187,625)	(55,348)	(242,973)
Net cash provided by (used in) operating activities	<u>780,324</u>	<u>(106,763)</u>	<u>673,561</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers (to) from General Fund	(288,381)	88,134	(200,247)
Interfund transfers	447	(10,447)	(10,000)
Net cash provided by (used in) noncapital financing	<u>(287,934)</u>	<u>77,687</u>	<u>(210,247)</u>
<b>Cash flows from capital and related financing activities</b>			
Interest	28	30	58
Capital grant	401,532	-	401,532
Purchase of property and equipment	(2,719,126)	-	(2,719,126)
Principal paid on revenue bond maturities	(230,000)	-	(230,000)
Principal paid on notes payable	-	(10,000)	(10,000)
Principal paid on capital leases	(9,153)	-	(9,153)
Interest on debt	(108,071)	-	(108,071)
Net cash (used in) capital and related financing activities	<u>(2,664,790)</u>	<u>(9,970)</u>	<u>(2,674,760)</u>
Net decrease in cash and cash equivalents	(2,172,400)	(39,046)	(2,211,446)
Cash and cash equivalents, beginning	3,348,847	112,164	3,461,011
Cash and cash equivalents, ending	<u>\$ 1,176,447</u>	<u>\$ 73,118</u>	<u>\$ 1,249,565</u>
Cash and cash equivalents	\$ 337,892	\$ 73,118	\$ 411,010
Restricted cash	838,555	-	838,555
Total cash and cash equivalents	<u>\$ 1,176,447</u>	<u>\$ 73,118</u>	<u>\$ 1,249,565</u>

(CONTINUED)



TOWN OF ESTILL, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

-CONTINUED-

	Water and Sewer	Refuse	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income	\$ 220,692	\$ (64,452)	\$ 156,240
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	411,257	8,000	419,257
Changes in assets, deferred outflows, liabilities and deferred inflows			
Accounts receivable	19,974	1,467	21,441
Accounts payable	19,912	4,625	24,537
Customer deposits	3,290	-	3,290
Accrued interest	11,507	-	11,507
Other accrued liabilities	(6,549)	(909)	(7,458)
Deferred outflows	(36,612)	20,573	(16,039)
Deferred inflows	(260)	(643)	(903)
Net pension liability	135,681	(74,491)	61,190
Compensated absences payable	1,432	(933)	499
 Net cash provided by (used in) operating activities	 <u>\$ 780,324</u>	 <u>\$ (106,763)</u>	 <u>\$ 673,561</u>
 <b>Supplemental Information</b>			
Interest paid	<u>\$ 108,071</u>	<u>\$ -</u>	<u>\$ 108,071</u>

*See accompanying notes.*



## TOWN OF ESTILL, SOUTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

#### 1. Summary of Significant Accounting Policies

The Town of Estill, South Carolina (the "Town") was incorporated under the laws of the State of South Carolina for the incorporation of municipal governments and as amended by Act 283 of the 1975 Code (Home Rule Town Act). The Town operates under a Council-form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

#### **Basis of Presentation**

##### Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. These statements distinguish between the Town's *governmental* and *business-type activities*. Taxes and other non-exchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the Town's governmental funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection which follows for more information about fund types.)

##### *Statement of Activities*

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The Town classifies as *general revenues* all revenues that are not program revenues, including all taxes and business license fees.

##### Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its governmental funds and proprietary fund. The Town presents separate statements for each fund category-governmental and proprietary.

-CONTINUED-



## TOWN OF ESTILL, SOUTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

#### 1. Summary of Significant Accounting Policies (continued)

##### *Operating and Non-Operating Revenues and Expenses in Proprietary Fund Financial Statements*

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The Town generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the Town classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The Town reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

##### Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The Town's funds are classified into two categories - governmental and proprietary.

##### Governmental Funds

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally (or donor) restricted to expenditures for specified purposes.

##### Proprietary Funds

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.





## TOWN OF ESTILL, SOUTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

#### 1. Summary of Significant Accounting Policies (continued)

##### Accrual Basis

The Town uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the Town generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The Town recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

##### Modified Accrual Basis

The Town uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual—that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The Town has elected to treat all funds as major and present them in separate columns.

##### Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, Water and Sewer Enterprise Fund and the Refuse Enterprise Fund. All annual appropriations lapse at fiscal year-end.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. **Summary of Significant Accounting Policies (continued)**

Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the Town considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments, if any, are reported at fair value.

Accounts Receivable

The accounts receivable of the Water and Sewer Enterprise Fund consist of unpaid user charges for the water and sewer system of the Town. The amount of unpaid charges is reported net of an allowance for doubtful accounts.

Property taxes are levied, generally in November, for property on record with Hampton County as of the prior December 31. These taxes are due without penalty by the January 15 following billing. All taxes outstanding for more than ten years are written off. Personal property taxes are levied by the county on a monthly basis.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Before the implementation of GASB 34 in June 2003, the Town recorded capital assets as expenditures for governmental activities and no formal record of capital assets was maintained. Therefore, the governmental activities' capital assets are reported in the government-wide financial statements based on management's estimated values of the capital assets when they were acquired or constructed. All assets recorded subsequent to June 2003 in the General Fund are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Business-type activities' capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. **Summary of Significant Accounting Policies (continued)**

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Utility plant in service	–	40 - 45 years
Equipment	3 - 10 years	5 - 10 years
Vehicles	5 - 10 years	4 - 5 years
Buildings	15 - 40 years	–

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences

The Town's policy allows employees to accumulate unused sick leave to a maximum of eighteen workweeks and vacation leave up to a maximum of six workweeks. Upon termination, any accumulated vacation leave, will be paid to the employee. There will be no payment for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

The estimated liability for vested vacation leave attributable to the Town's governmental and business-type activities is recorded as an expense and liability in the respective funds. The estimated liabilities include required salary-related payments.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**1. Summary of Significant Accounting Policies (continued)**

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources in the amount of \$487,627 as of June 30, 2018.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently reports deferred inflows of resources in the amount of \$54,574 as of June 30, 2018.

Net Position/Fund Balances

Net position is classified and presented in three components in the government-wide financial statements:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The Town reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted net position - spendable. Net position or fund balance for governmental funds is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2018, \$897,683 was reported as restricted net position.





## TOWN OF ESTILL, SOUTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

#### 1. Summary of Significant Accounting Policies (continued)

Unrestricted net position - All other net position that do not meet the definition of "restricted," or "invested in capital assets."

Fund balance is reported as assigned if the fund balance is constrained by the government's intent to use the funds for a specific purpose. The Town reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process.

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. The Town does not have any restricted fund balance.

Fund balance is reported as committed if amounts have been committed through the appropriations process. The Town does not have any committed funds.

Unassigned fund balance – All other fund balances that do not meet the definition of "restricted," "assigned," or "committed".

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

#### 2. Legal Compliance - Budgets

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund, Water and Sewer Enterprise Fund, and Refuse Enterprise Fund.
2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**2. Legal Compliance – Budgets (continued)**

4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the Town Council.

General Fund budgeted revenue exceeded actual revenue by \$426,374. General Fund budgeted expenditures exceeded actual expenditures by \$131,866. Proprietary Fund actual revenue exceeded budgeted revenue by \$135,955. Proprietary Fund actual operating expenditures exceeded budgeted operating expenditures by \$524,200.

**3. Deposits**

At June 30, 2018, the carrying amount of the Town's unrestricted and restricted deposits totaled \$1,733,252, and the bank balance was \$1,670,142 of which \$674,238 is not covered by federal depository insurance but is properly collateralized in accordance with State law.

**4. Restricted Cash**

The restricted cash that is presented in the financial statements consists of various bank accounts that are reserved for a specific purpose and are prohibited from being used in the normal operations of the Town. General Fund restricted cash represents funds held for specific purposes, such as grants and police matters. Special Revenue Fund restricted cash represents funds held for use by the Estill Fire Department. The Water and Sewer Fund restricted cash represents funds held for debt service on revenue bonds, and future construction and funds remaining on grant funds received in advance.

**5. Receivables**

Receivables at June 30, 2018, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
State revenue	\$ 190,956	\$ -	\$ 190,956
Due from business-type activities	20,300	-	20,300
Water and sewer billings	-	342,258	342,258
Gross receivables	211,256	342,258	553,514
Less, allowance for uncollectibles	-	(114,306)	(114,306)
Net receivables	<u>\$ 211,256</u>	<u>\$ 227,952</u>	<u>\$ 439,208</u>



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 399,530	\$ -	\$ -	\$ 399,530
Construction in progress	-	225,000	-	225,000
Total capital assets, not being depreciated	399,530	225,000	-	624,530
Capital assets, being depreciated				
Buildings	1,527,652	35,000	-	1,562,652
Land improvements	182,942	10,880	-	193,822
Equipment	336,677	-	-	336,677
Vehicles	669,006	-	-	669,006
Total capital assets, being depreciated	2,716,277	45,880	-	2,762,157
Less accumulated depreciation for:				
Buildings	(904,174)	(38,259)	-	(942,433)
Land improvements	(122,191)	(16,073)	-	(138,264)
Equipment	(225,991)	(29,333)	-	(255,324)
Vehicles	(589,925)	(23,677)	-	(613,602)
Total accumulated depreciation	(1,842,281)	(107,342)	-	(1,949,623)
Total capital assets, being depreciated, net	873,996	(61,462)	-	812,534
Governmental activities capital assets, net	<u>\$ 1,273,526</u>	<u>\$ 163,538</u>	<u>\$ -</u>	<u>\$ 1,437,064</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 453,375	\$ -	\$ -	\$ 453,375
Construction in progress	415,136	2,719,126	-	3,134,262
Total capital assets, not being depreciated	868,511	2,719,126	-	3,587,637
Capital assets, being depreciated				
Utility plant	13,309,478	-	-	13,309,478
Equipment	430,723	-	-	430,723
Vehicles	153,123	-	-	153,123
Total capital assets, being depreciated	13,893,324	-	-	13,893,324
Less accumulated depreciation for:				
Utility plant	(6,358,833)	(390,145)	-	(6,748,978)
Equipment	(388,919)	(19,921)	-	(408,840)
Vehicles	(137,267)	(9,191)	-	(146,458)
Total accumulated depreciation	(6,885,019)	(419,257)	-	(7,304,276)
Total capital assets, being depreciated, net	7,008,305	(419,257)	-	6,589,048
Business-type activities capital assets, net	<u>\$ 7,876,816</u>	<u>\$ 2,299,869</u>	<u>\$ -</u>	<u>\$ 10,176,685</u>



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**6. Capital Assets (continued)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 17,745
Public Works	18,928
Police department	67,862
Fire department	2,807
	<u>\$ 107,342</u>

Total depreciation - governmental activities

Business type activities:

Water and sewer	\$ 411,257
Refuse	8,000
	<u>\$ 419,257</u>

Total depreciation - business type activities

**7. Interfund Receivables, Payables and Transfers**

Interfund transfers:

	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Refuse Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 200,247	\$ -	\$ 200,247
Water and Sewer Fund	(200,247)	(88,134)	-	(288,381)
Refuse Fund	-	-	88,134	88,134
Total transfers	<u>\$ (200,247)</u>	<u>\$ 112,113</u>	<u>\$ 88,134</u>	<u>\$ -</u>





# TOWN OF ESTILL, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 8. Long-Term Debt

#### Capital Leases

The Town has the following capital leases outstanding as of June 30, 2018:

#### Governmental activities

Capital lease dated September 1, 2011, in the original amount of \$84,739 payable in annual installments of \$15,253. This lease is collateralized by Motorola radios \$ 14,371

Capital lease dated September 1, 2015, in the original amount of \$6,492 payable in annual installments of \$1,824. This lease is collateralized by Motorola radios 3,399

Capital lease dated August 1, 2016, in the original amount of \$36,943 payable in annual installments of \$6,526. This lease is collateralized by Motorola radios 32,489

50,259

#### **Total governmental activities**

#### Business-type activities

Capital lease dated October 2014, in the original amount of \$65,175 payable in monthly installments of \$894. This lease is collateralized by a backhoe 33,372

33,372

#### **Total business-type activities**

Total capital leases \$ 83,631

Debt service requirements to maturity for the capital lease is as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2019	\$ 4,062	\$ 30,272	\$ 34,334
2020	2,437	16,645	19,082
2021	1,658	15,598	17,256
2022	1,017	9,088	10,105
2023	675	5,851	6,526
2024 - 2028	347	6,177	6,524
	<u>\$ 10,196</u>	<u>\$ 83,631</u>	<u>\$ 93,827</u>



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**8. Long-Term Debt (continued)**

General Obligation Bonds

**Governmental activities:**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are secured by the full faith, credit, and taxing power of the Town, payable by way of an ad valorem tax on all taxable property with the Town of Estill.

The purpose of the general obligation bonds was to remodel the Bull Durham building. Interest rate on the general obligation bond is 4.6% with an outstanding principal balance in the amount of \$17,000 as of June 30, 2018.

Debt service requirements to maturity of the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2019	\$ 782	\$ 17,000	\$ 17,782



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**8. Long-Term Debt (continued)**

Revenue Bonds

**Business-type activities:**

The Town also issues revenue bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service. During the year ended June 30, 2016, the Town issued bonds in the amount of \$4,090,000. These proceeds were used to pay off the previous bonds issued in 2003 and to pay for repairs and upgrades to the system. The interest rate on the revenue bonds is 2.55% with an outstanding principal balance in of \$3,610,000 as of June 30, 2018.

Debt service requirements to maturity of the revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2019	\$ 89,059	\$ 235,000	\$ 324,059
2020	82,939	245,000	327,939
2021	76,628	250,000	326,628
2022	70,189	255,000	325,189
2023	63,559	265,000	328,559
2024-2028	212,288	1,420,000	1,632,288
2029-2033	36,338	940,000	976,338
	<u>\$ 631,000</u>	<u>\$ 3,610,000</u>	<u>\$ 4,241,000</u>

Note Payable

**Business-type activities:**

During the year ended June 30, 2016 the Town entered into an additional agreement for the purchase of 2 vehicles. The note calls for payments of \$5,166 quarterly and the term is three years with an interest of 5.26%. The outstanding balance is \$5,100 as of June 30, 2018. This outstanding balance is due within one year.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**8. Long-Term Debt (continued)**

Changes in long-term liabilities for the year ended June 30, 2018 are as follows:

	Balances as of July 1, 2017	Increases	Decreases	Balances as of June 30, 2018	Due within One Year
Governmental activities:					
General obligation bonds	\$ 33,252	\$ -	\$ (16,252)	\$ 17,000	\$ 17,000
Capital lease	69,838	-	(19,579)	50,259	20,735
Note payable	29,917	-	(24,817)	5,100	5,100
Compensated absences	8,154	8,100	(8,154)	8,100	8,100
Accrued interest	3,641	4,201	(3,641)	4,201	4,201
Total governmental activities	<u>\$ 144,804</u>	<u>\$ 12,301</u>	<u>\$ (72,443)</u>	<u>\$ 84,660</u>	<u>\$ 55,136</u>
Business-type activities:					
Revenue bonds	\$ 3,840,000	\$ -	\$ (230,000)	\$ 3,610,000	\$ 235,000
Capital lease	42,526	-	(9,154)	33,372	9,537
Note payable	10,000	-	(10,000)	-	-
Compensated absences	13,698	14,197	(13,698)	14,197	14,197
Total business-type activities	<u>\$ 3,906,224</u>	<u>\$ 14,197</u>	<u>\$ (262,852)</u>	<u>\$ 3,657,569</u>	<u>\$ 258,734</u>
Total activities	<u>\$ 4,051,028</u>	<u>\$ 26,498</u>	<u>\$ (335,295)</u>	<u>\$ 3,742,229</u>	<u>\$ 313,870</u>





TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**9. Pension Plan**

***South Carolina Retirement System***

The majority of employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).



# TOWN OF ESTILL, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 9. Pension Plan (continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 13.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 13.41% and 0.15% contribution rate for the incidental death program. The Town's contributions for the years ended June 30, 2018, 2017 and 2016 are as follows:

Year Ended June 30,	Incidental			Incidental		
	Base	Death	Total	Base	Death	Total
2018	13.41%	0.15%	13.56%	\$ 54,023	\$ 604	\$ 54,627
2017	11.41%	0.15%	11.56%	56,217	739	56,956
2016	10.91%	0.15%	11.06%	49,928	828	50,756



# TOWN OF ESTILL, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 9. Pension Plan (continued)

#### *Police Officers Retirement System*

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2017, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 16.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 15.84% and .20% for the incidental death program and .20% for the accidental death program. The Town's contributions for the years ended June 30, 2018, 2017 and 2016 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Incidental & Accidental			Incidental & Accidental		
	Base	Death	Total	Base	Death	Total
2018	15.84%	0.40%	16.24%	\$ 59,438	\$ 1,501	\$ 60,939
2017	13.84%	0.20%	14.04%	52,526	760	53,286
2016	13.34%	0.20%	13.54%	50,995	742	51,737



# TOWN OF ESTILL, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 9. Pension Plan (continued)

The amounts paid by the Town for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At June 30, 2018, the Town reported \$1,106,446 and \$761,324 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of the SCRS defined benefit pension plan was determined based on the July 1, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the Commission's SCRS proportion was 0.004915% and its PORS proportion was 0.02779%.

At June 30, 2018 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	SCRS	PORS
Differences between expected and actual experience	\$ 4,933	\$ 6,788
Assumption changes	64,771	72,247
Net difference between project and actual investment earnings	30,887	27,125
Differences between employer contributions and proportionate share	74,175	91,135
Contributions made from measurement date to June 30, 2018	54,627	60,939
<b>Total deferred outflows of resources</b>	<b>229,393</b>	<b>258,234</b>
 Deferred Inflows of Resources		
Differences between expected and actual experience	613	-
Differences between employer contributions and proportionate share	15,965	37,996
<b>Total deferred inflows of resources</b>	<b>16,578</b>	<b>37,996</b>
 Net deferred outflows/(inflows)	 <b>\$ 212,815</b>	 <b>\$ 220,238</b>





TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Pension Plan (continued)

Deferred outflows of \$54,627 and \$60,939 for SCRS and PORS, respectively, reported as resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2019	\$ (47,546)	\$ (61,930)	\$ (109,476)
2020	(75,559)	(69,538)	(145,097)
2021	(42,976)	(31,630)	(74,606)
2022	7,893	3,799	11,692
	<u>\$ (158,188)</u>	<u>\$ (159,299)</u>	<u>\$ (317,487)</u>

The total pension liabilities in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5%	3.5% to 9.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500



# TOWN OF ESTILL, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

### 9. Pension Plan (continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumption used in the determination of the June 30, 2017, SCRS and PORS valuations are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males Multiplied by 92%	2016 PRSC Females Multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males Multiplied by 100%	2016 PRSC Females Multiplied by 111%
Public Safety, Firefighters	2016 PRSC Males Multiplied by 125%	2016 PRSC Females Multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**9. Pension Plan (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.60%
<b>Opportunistic</b>	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	92.00%	0.02%
Total Expected Real Return	100%		5.32%
Inflation for Actuarial Puposos			2.25%
Total Expected Nominal Return			7.57%

The discount rate used to measure the total pension liability (TPL) was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**9. Pension Plan (continued)**

The following table represents the Town's proportionate share of the net SCRS and PORS pension liabilities calculated using the discount rate of 7.25 percent, as well as what the Town's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	\$ 1,426,056	\$ 1,106,446	\$ 912,517
PORS	1,027,784	761,324	551,241
	<u>\$ 2,453,840</u>	<u>\$ 1,867,770</u>	<u>\$ 1,463,758</u>

**Deferred Compensation Plans**

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the Town have elected to participate. The multiple-employers plans were created under Internal Revenue Sections 457, 401(k), and 403(b), are administrated by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**10. Operating Leases**

The Town entered into multiple noncancelable operating agreements on March 9, 2018 for digital copiers. The future minimum lease payments for these leases could not be determined due to the lease payments being determined by the number of copies created by the Town. The total lease expense for the year ended June 30, 2018 was \$5,480.

**11. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial property insurance coverage and general liability coverage for these risks. There have been no significant reductions in insurance coverage in the last three years and settled claims have not exceeded coverage in any of the last four fiscal years.





TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**11. Risk Management (continued)**

The Town participates in the South Carolina Insurance Reserve Fund, an insurance pool currently operating as a common tort liability and insurance program. The limit of the tort liability is \$600,000 per occurrence, while the limit for casualty insurance varies depending on the value of the property.

**12. Commitments and Contingencies**

The Town is currently operating its water and sewer system under a consent order from the South Carolina Department of Health and Environmental Control. This consent order found significant deficiencies in the Town's systems and requires certain repairs and upgrades to be made. In order to fund these repairs and upgrades, the Town has acquired a revenue bond and will continue to seek grants.

The Town is occasionally involved in legal proceedings (predominately civil suits) and claims with various parties, which arose, in the normal course of business.

Although any litigation has an element of uncertainty, it is management's opinion that the outcome of litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Town. No provision has been made in these financial statements for losses, if any, which might result from litigation pending, threatened or the combination thereof because there is no evidence to indicate that a loss expenditure and liability should be recorded at year-end.

**13. The Town's Financial Condition**

The Town recognized a decrease in net position of \$59,222 in its Governmental Activities before transfers from Business-Type Activities. The Town has experienced more significant losses in prior years as well. The Business-Type Activities had an increase in net position of \$249,512 after transfers to Governmental Activities. Because of the deficit in unrestricted net position, Business-Type Activities cannot continue to support the Town's Governmental Activities. In order to improve the Town's current financial condition, the Town needs to find ways to reduce spending, eliminate services, or increase unrestricted revenue.



TOWN OF ESTILL, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**13. The Town's Financial Condition (continued)**

Town management is aware of this financial situation and is in the process of continuing the following measures in an effort to continue to correct these financial difficulties:

- Business-Type Activities:
  - Refinance debt through United States Department of Agriculture
  - Further restrict procurement processes by obtaining approval for expenses over \$50
  - Implement an electronic water usage reading system to increase efficiency, which could possibly lead to a reduction in workforce
  - Apply for more grants from Rural Infrastructure Authority and other organizations
  - Review employee portion of health insurance costs to implement a possible increase
- Governmental Activities:
  - Review/increase business license fees.
  - Review property tax collections with Hampton County to determine why they have decreased and determine ways to improve collections.
  - Further restrict procurement processes by obtaining approval for expenses over \$50
  - Review staffing needs and implement a reduction in workforce.
  - Reduce Police Department expenditures by purchasing equipment from other agencies instead of buying new.
  - Reduce overtime in the Police Department
  - Apply for more grants to further reduce expenditures

Management is currently in the process of continuing to implement the steps mentioned above and considering other strategies as well. In the event the Town is not able to correct the underlying issues causing the deficits, other measures may need to be considered, including:

- Contracting with Hampton County to provide police services.
- Budget freezes/further staff reductions.
- Further reduction in services offered and expense reductions.

**14. Subsequent events**

Subsequent events were evaluated through October 30, 2018, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.



## REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF ESTILL, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA  
RETIREMENT SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS\*

	2018	2017	2016	2015	2014
<b>South Carolina Retirement System</b>					
Town's proportion of the net pension liability	0.0049%	0.0047%	0.0042%	0.0046%	0.0046%
Town's proportionate share of the net pension liability	\$ 1,106,446	\$ 1,009,467	\$ 803,379	\$ 783,359	\$ 816,108
Town's covered payroll	\$ 492,699	\$ 451,429	\$ 397,131	\$ 400,802	\$ 949,600
Town's proportionate share of the net pension liability as a percentage of its covered payroll	224.57%	223.62%	202.30%	195.45%	85.94%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.91%	56.99%	59.92%	56.39%
<b>South Carolina Police Officers Retirement System</b>					
Town's proportion of the net pension liability	0.0000%	0.0299%	0.0258%	0.0206%	0.0206%
Town's proportionate share of the net pension liability	\$ 761,324	\$ 760,688	\$ 561,220	\$ 394,717	\$ 427,405
Town's covered payroll	\$ 379,530	\$ 376,625	\$ 325,087	\$ 247,991	\$ 434,286
Town's proportionate share of the net pension liability as a percentage of its covered payroll	200.60%	201.97%	172.64%	159.17%	98.42%
Plan fiduciary net position as a percentage of the total pension liability	60.90%	60.40%	64.57%	67.55%	62.98%

\* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Commission implemented GASB 68 during fiscal year 2015. As such, only fiscal years after 2014 have information available.





TOWN OF ESTILL, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
<b>South Carolina Retirement System</b>					
Contractually required contributions	\$ 54,023	\$ 56,956	\$ 49,928	\$ 43,287	\$ 43,789
Contributions in relation to the contractually required contribution	(54,023)	(56,956)	(49,928)	(43,287)	(43,789)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town covered payroll	\$ 398,400	\$ 492,699	\$ 451,429	\$ 397,131	\$ 400,802
Contributions as a percentage of covered payroll	13.56%	11.56%	11.06%	10.90%	10.93%
<b>South Carolina Police Officers Retirement System</b>					
Contractually required contributions	\$ 59,438	\$ 53,286	\$ 50,995	\$ 42,944	\$ 31,842
Contributions in relation to the contractually required contribution	(59,438)	(53,286)	(50,995)	(42,944)	(31,842)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town covered payroll	\$ 365,998	\$ 379,530	\$ 376,625	\$ 325,087	\$ 247,991
Contributions as a percentage of covered payroll	16.24%	14.04%	13.54%	13.21%	12.84%

\* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only fiscal years after 2014 have information available.



## OTHER FINANCIAL INFORMATION



TOWN OF ESTILL, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
PROPRIETARY FUNDS NET POSITION - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2018

Account Description	Budget	Actual	Variance Positive / (Negative)
Operating revenue	\$ 1,883,202	\$ 2,019,157	\$ 135,955
Operating expenses:			
Salaries and employee benefits	633,345	450,626	182,719
Electricity and utilities	239,656	152,468	87,188
Materials and supplies	71,115	132,501	(61,386)
Laboratory analysis	16,111	-	16,111
Depreciation and amortization	8,000	419,257	(411,257)
Insurance	28,014	92,382	(64,368)
Gas, oil, tires and repairs	25,876	14,963	10,913
Contracted services	106,848	259,860	(153,012)
Training, lodging	9,410	982	8,428
Telephone	14,520	14,030	490
Office supplies	1,200	834	366
DHEC permits	14,000	14,516	(516)
Repairs and maintenance, engineering, and capital equipment	304,700	267,497	37,203
Miscellaneous	11,476	43,001	(31,525)
Total operating expenses	1,484,271	1,862,917	(378,646)
Operating income (loss)	398,931	156,240	(242,691)
Nonoperating revenue (expense)			
Interest income	310	58	(252)
Grant income	1,250,000	401,532	(848,468)
Grant expenses	(1,250,000)	-	1,250,000
Bond interest	-	(108,071)	(108,071)
Contingency reserve	(14,705)	-	14,705
Debt service	(372,636)	-	372,636
Total non-operating revenue (expense)	(387,031)	293,519	680,550
Net income (loss) before transfers	11,900.00	449,759	437,859
Transfers in (out)	-	(200,247)	(200,247)
Change in net position	\$ 11,900	\$ 249,512	\$ 237,612

*See independent auditors' report on other financial information*



TOWN OF ESTILL, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES  
YEAR ENDED JUNE 30, 2018

**Total Court Fines and Assessments:**

Total Court fines and assessments collected	\$ 52,509
Total Court fines and assessments retained by Town of Estill	<u>(28,534)</u>
Total Court fines and assessments remitted to State Treasurer	<u>\$ 23,975</u>

**Victims' Surcharges Collected:**

Total surcharges collected	<u>\$ 11,565</u>
Total victims' surcharges retained by Town of Estill	<u>\$ 992</u>

**Victims' Assessments Collected:**

Total assessments collected	<u>\$ 4,004</u>
Total victims' assessments retained by Town of Estill and used for victims' services	<u>\$ 4,004</u>

**Victims' Services:**

Victims' Services Funds at June 30, 2017	\$ 14,720
Victims' assessments received	4,004
Expenditures during the fiscal year	<u>(6,948)</u>
Victims' Services Funds at June 30, 2018	<u>\$ 11,776</u>

*See independent auditors' report on other financial information*

